State of New Hampshire

Health Benefit Advisory Committee

July 1, 2006 Report

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I. Executive Summary

The Health Benefit Advisory Committee (HBAC) was established in the FY 2005-2007 Collective Bargaining Agreement. The HBAC is composed of four Employer and four State Employee Association (SEA) members to advise the State on all issues related to the purchase and administration of health benefit plans and to make recommendations in benefit design, utilization management, and/or provider payment policies regarding the active membership.

While the ever-escalating cost of health care is a national issue, the HBAC has focused on determining which of the current national solutions and measures could have a positive impact on the cost of the State's benefits Programs. Just by the nature of state employment, state employees tend to have longer service, to have lower turnover, and to be older than the non-state workforce. Unfortunately, when it comes to medical benefits, older populations tend to have higher costs. The data bear this out, but it is important to note, while our population is older, it actually has lower utilization of health care services than average.

Governor John H. Lynch supports creative alternatives regarding controlling health care costs. The Governor recently stated, "Without real change, we risk our health care system collapsing into itself. Until we stop focusing on shifting costs and start focusing on using the money in the system better, we will not fix our health care financing system." In that spirit, the HBAC decided to focus on health, as well as on the cost and delivery of care. Promoting health and encouraging healthy lifestyles are critical to lowering the health care cost trend for New Hampshire employee and retirees. The data showed that this could make a significant difference. Even more importantly, promoting heath and wellness in and of itself is very important for our employees, their families, and our State.

Through the HBAC, the cross-agency Health Promotion Work Group was created with the goals and objectives of promoting wellness through education and healthy lifestyle choices. The HBAC, together with the Health Promotion Work Group, had a number of successes, including:

- Drafting an executive order or proclamation for adoption by the Governor announcing the wellness initiative;
- Working with the Foundation for Healthy Communities to expand the scope of the Walk New Hampshire Program to include state employees and to encourage state employees to participate;
- Creating a Governor-endorsed HBAC "Wellness Pamphlet";
- Developing a media and communications strategy for rolling out the health promotion initiative;
- Creating a state "Wellness Program" Web site to focus on the health and well-being of state employees;
- Creating a link on the SEA Web site to the state "Wellness Program" Web site;
- Encouraging state agencies to appoint a "Wellness Coordinator"; and
- Encouraging the State's vendors to sponsor workshops and health screenings, on such topics as women's health, nutrition, fitness and stress management.

Per its directive to make recommendations in benefit design, utilization management, and/or provider payment policies regarding the active membership, the HBAC recommends the following items. Each is expanded upon in this report.

A. Consider developing a strategy to create an incentive for persons covered under the state medical plans to complete a health risk assessment
B. Expand and improve wellness services and quality of care
C. Consider implementing state mandates on a case-by-case basis
D. Review “opt-out” options from state medical coverage for state employees
E. Consider allowing coverage for same-sex domestic partners under the State’s Health Benefits Program
F. Study emergency room usage statistics
G. Review the benefit plans for retirees
H. Conduct a best practices study
I. Explore the possibilities of collaboration with other government health care purchasers to increase buying power
J. Explore providing an explanation of benefits after all services

II. The Health Benefit Advisory Committee

A. About the Health Benefit Advisory Committee

The Health Benefit Advisory Committee (HBAC) was established in the FY 2005-2007 Collective Bargaining Agreement. The HBAC is composed of four Employer and four Association members and meets at least quarterly. The purpose of the HBAC is to advise the Employer on all issues related to the purchase and administration of health benefit plans and to make recommendations in benefit design, utilization management, and/or provider payment policies regarding the active membership. Such recommendations may include changes regarding:

- Health education
- Wellness incentives
- Incentives to utilize “centers of excellence” or more efficient providers
- Preventive medical services
- Case management
- Disease management
- High-risk intervention
- Aligning provider payment policies with quality improvement
- Providing consumer information on treatment alternatives and provider cost-effectiveness

The HBAC is directed to file a report with its recommendations by July 1 of even-numbered years.

B. Members of the HBAC

The members of the Health Benefit Advisory Committee are:

State of NH
- Monica Ciolfi, Risk and Benefits Administrator, Administrative Services
- Alex Feldvebel, Deputy Insurance Commissioner, Insurance
- Karen Levchuk, Director of Personnel, Administrative Services
- Sara Willingham, Manager of Employee Relations, Administrative Services

State Employees' Association
- Lorri Hayes, Contract and Field Operations Administrator, SEA
- Linda Huard, Certifying Officer III, Employment Security
- Dennis Kinnan, Probation Parole Officer III, Corrections
- Paul Stokes, Labor Inspector, Labor

The members of the HBAC would like to thank each of their Commissioners for their flexibility and efforts in allowing them to attend the HBAC meetings. Without their active support, the HBAC's progress would not have been possible.

In particular, we recognize:

- Administrative Services Commissioner Donald S. Hill
- Insurance Commissioner Roger A. Sevigny
- Employment Security Commissioner Richard S. Brothers
- Corrections Commissioner William L. Wren
- Labor Commissioner George N. Copadis

In addition, we recognize the support of SEA President Gary Smith.

C. Consultant Role

The HBAC regularly utilized external consulting assistance throughout its work and process. The Segal Company (Segal), which is the State's health benefits actuary and consultant, played an active role. Segal provided detailed background information to the HBAC and assisted in analyzing plan-specific data provided by vendors and carriers. The resources provided included information on health care cost trends, current thinking and research on plan design, vendor management, access to information, quality measures, disease management, and wellness. Representatives of Segal regularly attended HBAC meetings and assisted in meeting preparation.

D. HBAC Process Notes

The HBAC met monthly in 2005 and consistently two-to-three times a month from January to June 2006. Notable activities during these meetings included:

- Discussions about the current industry trends/issues related to health benefits, the current benefit Programs and health promotion initiatives
- Meeting with Governor Lynch
- Meetings with the various plan vendors and outside consultants
- Reviewing data and cost analyses for the medical plans and prescription drug plan
- Reviewing the Employee Assistance Plan
- Reviewing FY 07 working rates

While the ever-escalating cost of health care is a national issue, the HBAC focused on determining which of the current national solutions and measures could potentially make a positive impact on the cost of the State's benefits Programs. One important theme stood out: the HBAC needed to focus on health, as well as on the cost and delivery of care. Promoting health and encouraging healthy lifestyles are critical to lowering the health care cost trend for New Hampshire employees and retirees. The data showed that this could make a significant difference. Due to the nature of employment with the State, several factors that typically mean higher health benefits costs—such as the higher-than-average age of state employees, relatively low turnover, and continued coverage after retirement—support the importance of promoting health and well-being as an important tool to address the ever escalating cost of health benefits. Even more importantly, promoting heath and wellness in and of itself is very important for employees, their families, and the State.

E. HBAC Objectives

The HBAC's objectives are as follows:

- Develop a shared, usable and understandable information base of overall trends/issues related to health benefits and details about and issues specific to the State's Health Benefits Program.
- Keep informed of current trends/issues related to health benefits to be able to advise the State on all issues related to the purchase and administration of health benefit plans.
- Study the current benefit Programs in place for employees and understand the specific issues, challenges, and opportunities.
- Make recommendations in benefit design, utilization management, and/or provider payment policies that preserve the continued viability of the State's Health Benefits Program by limiting the growth in claims cost while improving the quality of care.
- Measure the impact of recommendations implemented.

III. Historical Perspective of the State's Health Benefit Program

A. Transition to Self-Funding

When the legislature enacted Ch. 319: 31, Laws of 2003, it directed the Commissioner of Administrative Services to "implement a self-insured health plan" for employees and retirees for the first time in the State's history. Prior to 2003, the Department had utilized insurance companies to manage both the administration and financial risk of the State Employee and Retiree Benefit Program. While assuming greater administrative responsibilities and financial risk, the benefits to the State of self-funding include:

- Cost savings (the State no longer pays an insurance company to assume the risk).
- Better control over plan design (State mandates are not automatically applied as with insured plans).
- Better data about the plan, including eligibility, cost, utilization, etc.

With this move, the State joined the majority of states in self-funding these benefits. While current data is unavailable, a 2002 report by the Arizona Health Care Cost Containment System found in 2001 that thirty-four (or 68%) of the fifty states self-funded at least one of their employee health care plans. At that time, only 40% self-funded all of their employee health care plans, but the trend appeared to be moving toward greater self-funding.

In a period of three months, the Department prepared to migrate this major State Program. Between July and October 2003, the Department assumed the responsibility for arranging and overseeing heretofore unfamiliar functions as diverse as Web-based on-line employee enrollment and stop-loss coverage, and as complex as the establishment of actuarially sound Program rates and the development of an accounting system that accommodated an array of revenue sources, benefit plans, quasi-governmental entities, and reporting requirements.

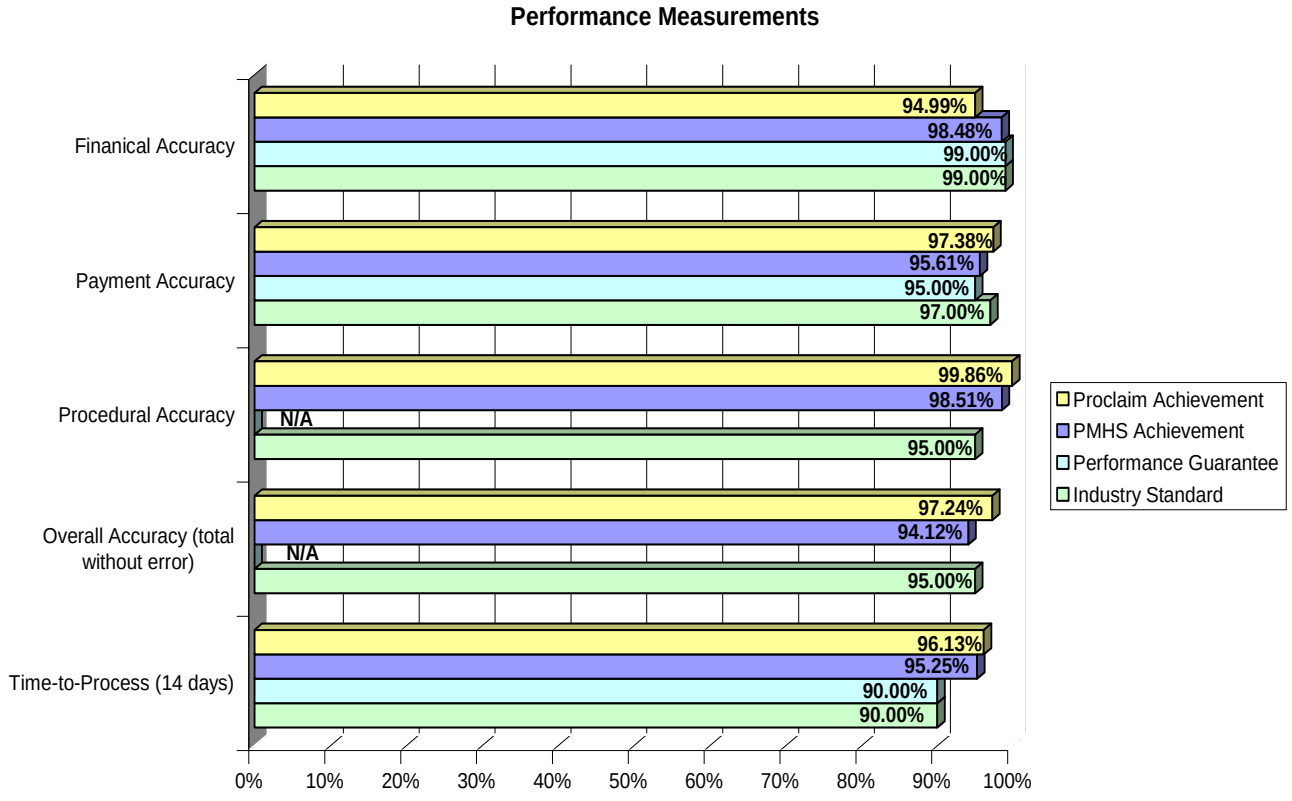
As is generally recognized, the administrative burdens upon an employer with a self-funded health benefit Program exceed those of a fully insured Program. The self-funded employer (in this case, the State) must concern itself with a variety of subjects such as plan design, stop-loss coverage, rate-setting, claims reserves, communications and vendor coordination that are generally undertaken by the insurance company and also perform audits of the various plan administrators. The Department team accomplished the changes necessary to effectuate the statutory mandate by October 1, 2003.

B. Results of Medical Claims Audit of CIGNA

The Department requested that Segal perform a claims audit on claims processing and payment procedures utilized by CIGNA HealthCare in the administration of the State's group medical benefits covering a representative sampling of claims processed during the period July 1, 2004 through June 30, 2005. CIGNA was measured in five areas:

- Financial accuracy
- Payment accuracy
- Procedural accuracy
- Overall accuracy
- Time-to-process

CIGNA generally was found to meet or exceed performance guarantees and industry standards.



Highlights of the audit process include:

- Industry standards are developed through ongoing review and comparison of measures utilized by major carriers and third party administrators nationwide. Standards include acceptable performance for administration of fully insured and self-insured corporate, public, and multi-employer plan benefits.
- Industry guidelines include an overall processing measurement of claims free from all errors and require stricter payment performance (97% vs. 95% guaranteed) for the number of claims without financial error.
- Segal's performance measurements presented above were calculated based on separate audits of CIGNA's two processing systems (Proclaim and PMHS). The sampling methodology acknowledges that benefit calculations, paid amounts, and automated capabilities differ between the two systems (*e.g.,* the Medicare population requires more manual intervention and results in lower individual claim payment accuracy); results cannot be blended due to the division of payment tiers required to provide a 95% confidence level in the findings. By selecting statistical samples from each system, the independent analysis was able to pinpoint a critical need for improvement relative to Medicare retiree claims processed on the Proclaim system.
- Contractual Performance Guarantees are monitored through CIGNA's self-reported results for a single population of all State claims and, therefore, may not mirror the separate results indicated above.

C. Results of Prescription Drug Plan Audit of CIGNA

The Department requested that Segal perform a Prescription Drug Plan audit using October 1, 2004 to June 30, 2005 data. The objective of the audit was to identify areas where CIGNA is exceeding or falling short of expectations; identify areas of potential inefficiency, abuse and waste; and determine whether CIGNA is administering the plan design parameters as intended.

The findings included:

- **Retail and Mail Order Discounts**—CIGNA's achieved discounts at retail and mail-order pharmacies for brand name and generic drugs were within Segal's benchmark ranges.
- **Plan Design Administration**—The active member co-payments were administered consistent with the design set forth in the plan provisions.
- **Utilization Management**—The State's potential oversupply claim paid amount is within observed tolerance levels; a certain level of oversupply is natural due to refill activity associated with vacation, emergency, and replacement supplies. Some oversupply may also have a clinical explanation.

IV. Information about the Current (2005-2007) Health Benefit Program

A. Impact of September 1, 2005 Negotiated Plan Design Changes

Carving out prescription drugs from the medical contract was an area identified by the State's health care consultant that could result in cost savings. The Choicelinx system provided the data flexibility to carve out and manage multiple vendors. The State made this decision and on September 1, 2005, began using LGC/Medco to administer prescription drug benefits. Other changes that were implemented for the State Employee Association Active Plan are as follows:

- **Prescription Drugs:** Increased retail co-payments to $5 for generic drugs, $10 for preferred drugs, $15 for non-preferred drugs, and two times the applicable co-payment for a 90-day mail-order supply (from $2 for generic, $6 for non-generic and $2 for a 90-day mail-order supply). Annual out-of-pocket maximums for prescription drug co-payments are $500 per person, up to $1,000 per family.
- **Emergency Room Visits:** Increased co-payment to $50 per visit (from $25); fee waived if admitted.
- **Office Visits:** Added new co-payment of $5 per visit (no previous co-payment); no co-payments for prenatal, well baby, and annual visit (ob-gyn included).
- **Payment of Premiums:** For the Point of Service (POS) plan, the State agrees to pay the full premium rates for single, two-person and family plans. Effective July 1, 2005, employees participating in a POS Plan pay 50% of the difference in cost (based on plan design) between the Network (HMO) and POS plans. Effective July 1, 2006, employees participating in a POS plan pay 100% of the difference in cost between the HMO and POS plans. For the HMO plan, the State agrees to pay the full premium rates for single, two-person and family plans.

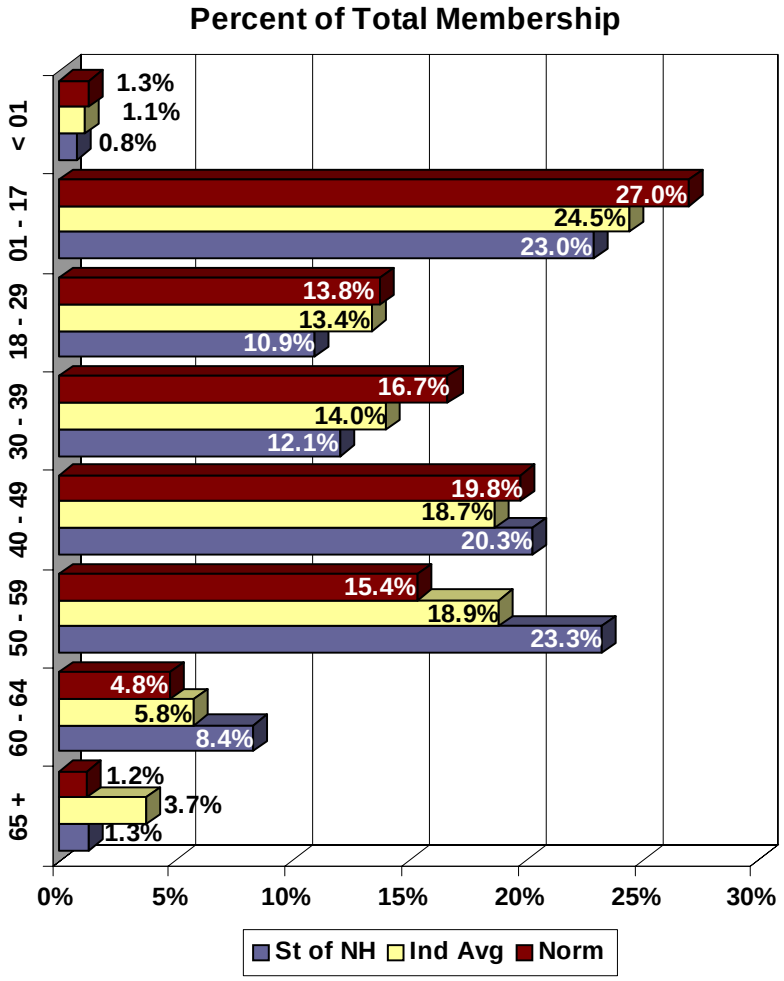
The State expects to see significant cost savings as a result of these changes. Based on data from September 2005 to February 2006, CIGNA estimates the medical plan co-payments (excluding prescription drug plan changes) will save the State approximately $30 per member this year for a total savings of approximately $900,000. LGC/Medco estimates the annual savings from the prescription drug plan design changes and vendors change is approximately $3.6 million.

B. Other Background

1. Medical Claims Analysis (Active Employees Only)

CIGNA presented a calendar-year 2005 report on the POS and HMO medical plans to the HBAC on March 7, 2006. Key background items follow. The full report can be found in the Appendix. Paid claims for calendar year 2005 were used to assess performance. The data points used to assess performance in this presentation are from the State (St of NH) Plan's claim results; industry average (Ind Avg), which is an average of other municipalities in the Northeast; and overall average (Norm), which is the average of the CIGNA book of business for the applicable product.

Key Item #1: Enrollees in the State's Plans are older than CIGNA's industry average and overall book of business.

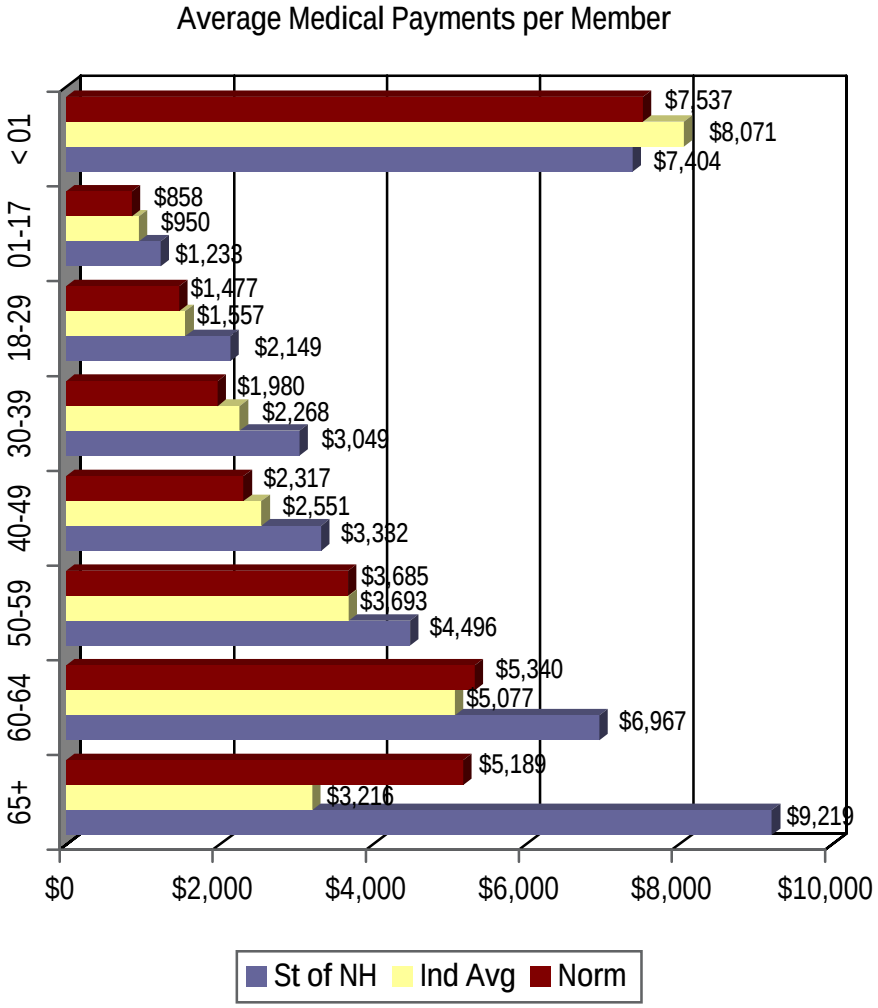


- Due to the nature of state employment, the State has 53% of the covered population age 40 and above, while the industry average is 47% and the CIGNA norm only 41%.

Key Item #2: The State Plans' <u>per member</u> cost is higher than CIGNA's industry average and overall book of business, which is largely attributable to its older population.

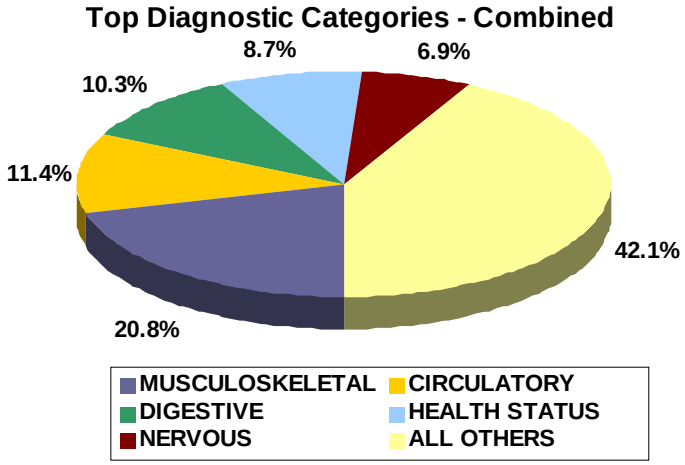
- Incurred medical costs for the State during calendar year 2005 were approximately $114.6 million for active members.
- Based on CIGNA's actuarial factors for each age band, it is expected to see both the HMO and POS plans incur medical costs well above the norm and this is reflected in the data. While only 53% of the population, 72% of medical costs for the year were attributable to the 40+ age group, while the industry average is 61% and the CIGNA norm only 65%. Other items related to the State's older population:

    - Medical payments are also higher due to a mix of illnesses of higher severity/with more expensive treatment compared to industry and national averages.
    - Outpatient claims are the largest component of the higher spending level, with surgeries, advanced diagnostic testing, emergency room and specialist physician services the major utilization areas.
    - Average cost per member by age group are as follows:



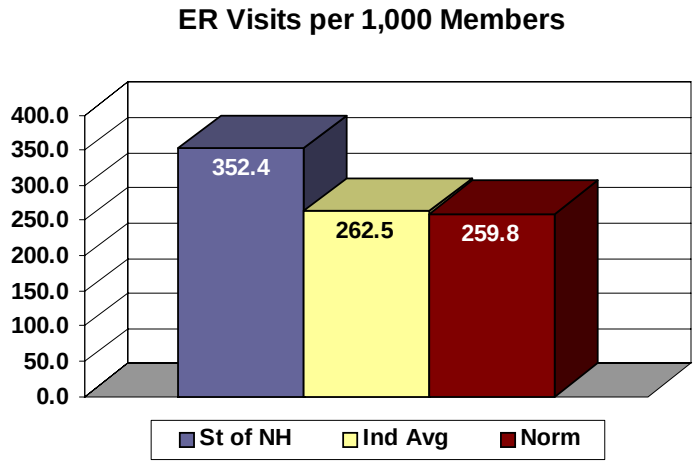
Key Item #3: CIGNA notes that utilization of the plans by enrollees is slightly below their industry average and norm.

Key Item #4: The State's Major Diagnostic Categories (MDCs), an industry standard method of grouping diagnoses by various body systems, are generally in line with national averages.



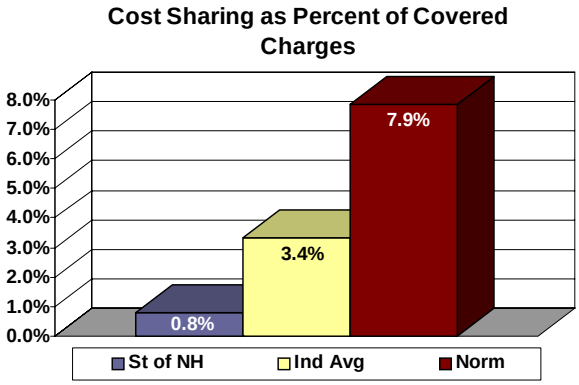
- The State's and CIGNA's Normative Top 5 MDC Categories:
  - Musculoskeletal: 20.8% (16.7%)
  - Circulatory: 11.4% (12.3%)
  - Digestive: 10.3% (9.8%)
  - Nervous System: 6.9% (7.0%)
  - Health Status: 8.7% (6.7%)

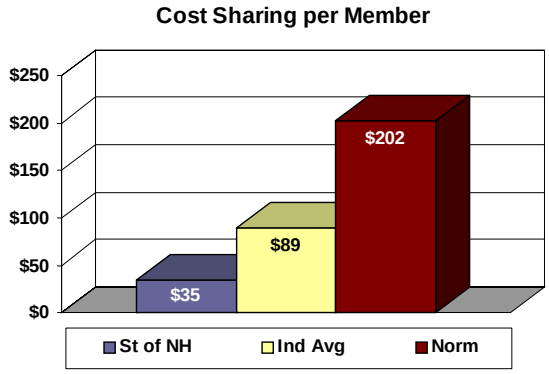
Key Item #5: Emergency Room (ER) usage is above industry average.



- ER usage exceeded the industry average by 34% and the norm by 36% in 2005.
- The average payment per ER visit ($564) exceeded the industry average by only 3%.
- Only 32% of visits for the year took place on weekends when alternatives to ER care typically do not exist.

Key Item #6: Cost sharing measurements on the plans were below industry average and normative values.





- Differences exist between the employee cost sharing portion of the benefit plan designs (not coverage) for the State versus industry and national averages.
- On a per member basis, cost sharing totaled $35, which was 61% below the industry average (compared to other municipalities in the Northeast).
- While the $54 difference in cost share per member between the State and industry average spending represents approximately $1.7 million, it is less than 2% of plan cost.

2. *Prescription Drug Coverage Analysis*

LGC/Medco prepared a report detailing prescription drug coverage experience through April 2006. Key background items follow. The full report can be found in the Appendix. The time period used to assess performance for the following statistics was September 2005 through April 2006.

Key Item #1: Highlights of Prescription Drug Coverage Statistics.
For the period of September 2005 through April 2006, active enrollees and their dependents only:

State of NH	Definition	Actives
Cost		
Plan Cost	Cost to the State after allowing for discounts and employee co-payments for the eight months (September 2005 through April 2006)	$16,987,000
Plan Cost PMPM	Plan Cost on a per member per month basis	$72.52
Gross Cost PMPM	Cost per member per month including employee co-payments	$81.75
AWP	Average wholesale price of drugs from First Databank at the National Drug Code	$26,103,000
AWP/Day	Average wholesale price per day of therapy	$3.29
Plan Cost/Day	Plan cost for drugs per day of therapy	$2.14
Plan Cost/Rx	The average cost to the plan after discounts and employee co-payments per script	$69.85
Effective Discount	Discount from average wholesale price on negotiated discounts and dispensing fees	26.7%
Member Cost Share	Percentage of costs paid by employees	11.3%
Avg Retail Copay	Average co-payment for employees per script at retail	$7.65
Avg Home Del. Copay	Average co-payment for employees per script via mail	$16.23
Utilization		
Patients	Unique member filling at least one script	21,858
Total days of therapy	Total of all days of therapy dispensed for all scripts	7,942,428
Total Rxs	Total scripts	243,176
Days/Rx	Average number of days of therapy per script	32.7
Days/Member	Average prescribed days of therapy per member	271
Generic Dispensing Rate	Percent of scripts filled with generic drugs	52.9%
Generic Substitution Rate	Percent of scripts filled with generics, plus any multisource brand billed as generic	94.1%
Brand Formulary Compliance	Percentage showing the adherence to the use of brand drugs listed in the State's formulary	82.0%
Demographics		
Members	Employees and dependents	29,278
Average Patient Age	Average age of patients who fill at least one script	37.7

- The discount from AWP was 28.4% (overall including actives and retirees).

Key Item #2: Enrollees are utilizing the Internet for mail-order refills and plan information (from 2/17/06 Report).

- Internet contact usage rate: 57%.
- Internet Rx order usage rate: 47%.

Key Item #3: Positive Results from 2005 Wellness Initiatives (from 2/17/06 Report).

- Flu Vaccine Program had 2,418 participants from 84 Departments and work sites

- Participated in NH Hospital's Annual Wellness Fair (503 people in attendance) and implemented Omron Body Fat Monitor and Simulated Smoker's Lung demonstration

- Health and Safety Education Workshops and Screenings included:

    - **The following 17 State Agencies, Commissions and Departments participated in Health & Safety Education Workshops:**
      Public Utilities Commissions, Department of Education, Department of Justice, DHHS Finance, Adjutant General, Employment and Security, Department of Transportation John O. Morton Building, Department of Corrections, Department of Resources and Economic Development, Department of Health and Human Services, Department of Energy and Planning, Pari-Mutuel Commision, Department of Transportation Canaan office, Adjutant General Pease, Department of Transportation District 1 and District 3, and Disability Determination Services.

    - **The following 15 Health & Safety Educational Workshops were attended by a total of 696 State employees:**

        - Nutrition 101
        - Women's Health-Stress & Depression
        - Ergonomics
        - Sleep Smarts: Improving Sleep Habits
        - Fitness 101
        - Stress Management
        - Discovering Balance
        - Caring for Elderly
        - Back Care
        - Summer Safety
        - Winter Safety
        - Men's Health
        - Piece of Peace

    - **The following 7 State Agencies, Commissions and Departments participated in Health Screening Workshops:**
      Department of Education, Adjutant General, Department of Transportation-Bureau of Turnpikes, New Hampshire Hospital, Department of Transportation District 3, Department of Transportation Mechanical Services

- **The following 5 Health Screening Workshops were attended by a total of 513 State employees:**

    - Body Fat Analyzer
    - Grip Strength
    - Glo Germ Demonstration
    - Skin Analyzer
    - Simulated Smokers Lungs

- Additional Health & Safety Educational Workshops that are scheduled from the end of August 2006 through June of 2007 are:

    - Discovering Balance in everyday Life
    - You Can Make A Difference-Self Care
    - Injury Prevention for the Weekend Warrior

3. Spanning the Continuum of Care: Healthy, At Risk, Acute

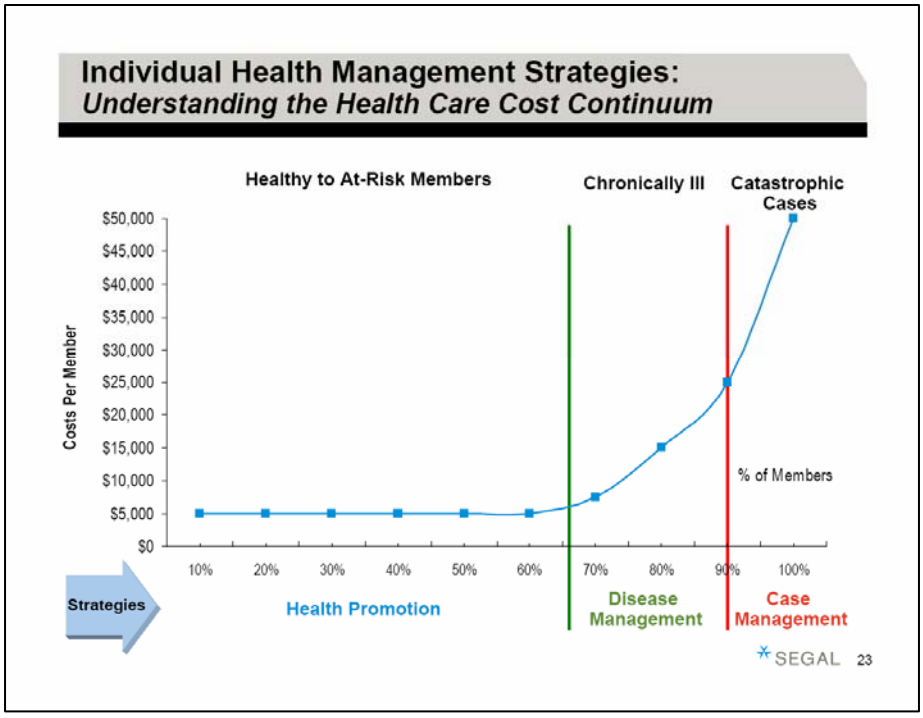
The Segal Company prepared and delivered a presentation to the HBAC on overall industry trends regarding improving health plan performance on November 14, 2005. Key background items follow. The full report can be found in the Appendix.

Key Item #1: There are many drivers of health trend and inflation nationally.

- Aging workforce
- Behavior (obesity, smoking, stress)
- New technology
- Treatment/price inflation
- Drug promotion
- Overutilization of services
- Defensive medicine
- Cost-shifting by providers from uninsured and underinsured

This is a list of general items and certainly does not include all factors contributing to trend. Even with the known items, there are some items that are more easily managed (*e.g.,* behavior) and some that are less easily managed (*e.g.,* aging workforce). There are also different parties with degrees of influence over these factors, including the individuals themselves, health care providers, Federal government and reimbursement policies, to name a few.

Key Item #2: Generally, cost per member increases significantly as enrollees become at-risk, chronically ill and catastrophically ill.



Strategies for cost containment differ in approach and return on investment realization:

- For healthy and at-risk enrollees, lower cost health promotion and wellness management tactics are most effective with long time horizon to realize results.
- For chronically ill enrollees, disease management is the most effective tactic with medium time horizon to realize results.
- For catastrophic cases, individual case management and plan design evaluation are most effective tactics with short time horizon to realize results.

C. July 1, 2006 Working Rates

The HBAC received a report from the Health Program Finance Director regarding the July 1, 2006 Working Rates for medical and drug coverage for the active membership. The working rates for the active State Health Benefits Program declined by 1.6% to 4.8%, depending on the plan (i.e., state employee POS or HMO) effective July 1, 2006.

The projected base rates for active employees increased less than those of most employers. This lower-than-expected increase can be attributed to the impact of the plan design changes on controlling costs, declining industry trend rates, more competitive contracting and actual claims experience that is more favorable than industry norms. While the national trend is a 12% to 13% increase, the average State Program increases in the base rates were:

- 6.7% for the HMO plans for active employees
- 3.3% for the POS plans for active employees

This base rate is comprised of:

- Claims experience
- Incurred but not reported (IBNR) claims (those medical claims that have been incurred by enrollees but not yet received by the administrator)
- Medical claims administration
- Medical stop-loss coverage premium

To determine the working rate, the State added "other costs" to the base rate. These include:

- Health benefits consultant fee (actuarial, audit, RFP)
- Enrollment administration costs *(i.e.,* Choicelinx)
- A small margin for unanticipated expenses

The total of these amounts, divided by the number of subscribers, is the working rate.

Why did the final working rates decrease? For Program years prior to FY07, the working rate included an amount for a statutorily-required reserve for the Program. The inclusion of an amount to support the "building" of this reserve increased the working rate in FY06 between $16 and $134 each month, depending on the plan. Now that the reserve is fully "built" for FY07, the State did not have to add any amounts to the base rate for purposes of the reserve. Thus, despite the base rate increase noted above, the absence of a reserve amount results in a net decrease in the working rates over the last fiscal year.

V. Recap of HBAC's Work and Key Successes to Date

A. Collaborative Effort

Before the creation of the HBAC, there was a less than ideal level of information sharing regarding the State's benefit Programs. The HBAC agreed at the onset not to treat the sessions as negotiations, but to create an open, honest and fair forum for information and idea sharing that would hopefully lead to mutually beneficial benefit negotiations in the future. To be most effective, the HBAC agreed to be non-adversarial, to provide equal and open access to information, to look beyond just cost-saving measures and explore options for the overall benefit of the benefit Programs, and to put forth a united effort to achieve goals. The many constituencies represented on the HBAC have worked collaboratively as a group under these guidelines and have come together as a constructive, cohesive unit.

B. Health Promotion

1. The Health Promotion Work Group

Through the HBAC, the cross-agency Health Promotion Work Group was created with the goals and objectives to promote wellness through education and healthy lifestyle choices. Promoting health and encouraging healthy lifestyles can make a significant difference in the long-term health of State employees, retirees and their dependents and is one important way the State can address the escalating cost of health benefits. The Health Promotion Work Group drew on resources from the State, including Administrative Services, OIT and EAP, and the State's vendors, including CIGNA, Delta Dental and LGC/Medco. The members of the Health Promotion Work Group are:

- Paula Booth, SONH, EAP
- Valerie Hamilton, SONH, Risk Management Unit
- Linda Huard, SONH, NH Employment Security/SEA
- Judy Shevlin, SONH, Division of Personnel
- Christine Williams, SONH, Risk Management Unit

Additionally, Joe Messineo, SONH Financial Data Management, assisted the team by setting up the Web site for the Wellness Program with all the requested information and links. Don Taylor, SEA Communications & Education Coordinator, was responsible for setting up the SEA Web site with the appropriate links to the Wellness Program.

The HBAC together with the Health Promotion Work Group drafted the following executive order for adoption by the Governor, announcing the initiative.

State of New Hampshire
By His Excellency
John H. Lynch, Governor

EXECUTIVE ORDER NUMBER 2006-7

An Order Relative to State Employee Wellness

WHEREAS, the overall health and wellness of New Hampshire state employees is important to their quality of life as well as to their service to the citizens of our State; and

WHEREAS, promoting healthy lifestyles and physical fitness for state employees, retirees and their dependents will improve their health and wellness; and

WHEREAS, the Health Benefits Advisory Committee was created by the 2005-2007 Collective Bargaining Agreement and consists of eight members, including four members from the State Employees Association and four members from the State of New Hampshire management team; and

WHEREAS, the State of New Hampshire in partnership with the State Employees Association, intends to implement a comprehensive wellness program that will continually support and assist state employees, retirees and their dependents in achieving greater health and wellness.

NOW, THEREFORE, I, JOHN H. LYNCH, GOVERNOR OF THE STATE OF NEW HAMPSHIRE by the authority vested in me pursuant to part II, article 41 of the New Hampshire Constitution, do hereby order as follows effective immediately:

1. All executive departments and agencies shall support the efforts and goals of the Health Benefits Advisory Committee and its workgroups.

2. The Health Benefits Advisory Committee and its workgroups shall identify community partnerships, state agency resources and health coverage vendor resources that can:

    a. Create or improve wellness programs for state employees, retirees and their families;

    b. Provide consensus on measurements to gauge the effectiveness of wellness initiatives;

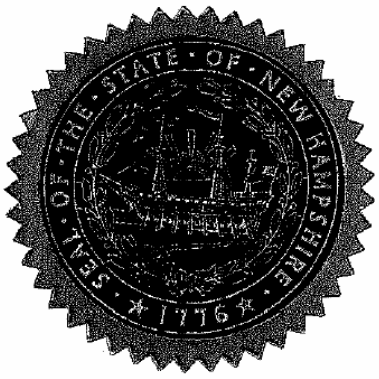
    c. Identify models and opportunities for on-site wellness programs; and

    d. Provide feedback for state agency health and wellness programs.

3. The Health Benefits Advisory Committee and its workgroups shall oversee the communication and promotion of wellness programs and events to state employees and retirees, which communication may consist of web pages devoted to the state wellness programs, informational mailings and statewide electronic transmissions, among other methods.

4. Each agency head shall identify and appoint a Wellness Coordinator to spearhead that agency's efforts and to serve as the agency's liaison to the state wellness program. Each agency shall offer its expertise and cooperation to assist in educating all state employees on healthy lifestyles and wellness models.

5. All state employees and retirees are encouraged to participate in the Foundation for Healthy Communities' WalkNH program and in any future offerings of the state wellness program, including the promotion of the state Employee Assistance Program, existing wellness services available through the state employee and retiree health benefits program as well as such programs offered to employees by individual state agencies and departments.



Granted under my hand and seal at the Executive Chambers in Concord, this 6th day of June in the year of our Lord, two thousand and six.

Governor of New Hampshire

JOHN H. LYNCH
Governor

State of New Hampshire
OFFICE OF THE GOVERNOR
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governorlynch@nh.gov

May 31, 2006

Dear State Employee:

As Governor, the health of our state employees is important to me. First because I want all of New Hampshire's state employees to be able to enjoy the highest quality of life. Second, because healthier employees provide better service to the citizens that we are all dedicated to serving. Finally, because helping New Hampshire employees stay healthy is critical to controlling health care costs, which is important to our employees and New Hampshire's taxpayers.

We formed the Health Benefits Advisory Committee to bring together state officials and state employees to analyze the health care needs of state employees. This committee has been hard at work over the past several months reviewing and analyzing data, and seeking information and ideas from other states and large health plans.

Based on this review, it is clear that we need to focus more than ever on the health and well-being of our employees. Promoting health and encouraging healthy lifestyles can make a significant difference in the long-term health of our state employees and retirees and is one important way we can address the escalating cost of health benefits.

More importantly, we believe that promoting health and wellness is directly related to the quality of life we desire for our employees, their families and the people of the State of New Hampshire.

Sincerely,

John H. Lynch
Governor

TDD Access: Relay NH 1-800-735-2964

2. Walking Program

The first major initiative of the Health Promotion Work Group was partnering with the Walk New Hampshire Program. Walk New Hampshire is a Program originally designed by the Foundation for Healthy Communities to promote walking for children ages 6 to 12 years old. For the second year, the HBAC arranged to expand the scope of the Walk New Hampshire to include state employees and encouraged state employees to participate. The goal is to engage state employees and children in walking and raise awareness of walking as a part of a healthy lifestyle.

Each person who participates receives a log to record the number of miles he/she walks. Children who reach their chosen goal receive an "I Walked NH" patch and a certificate signed by Governor Lynch and Dr. Susan Lynch. A special statewide kickoff celebration was held June 9, 2006, at the State House in Concord, celebrated by the Governor and Dr. Susan Lynch, among others.

3. Other Initiatives

In addition to Walk New Hampshire, other initiatives included:

- Creating a Governor-endorsed HBAC "Wellness Pamphlet" setting forth the logo, motto, and mission statement of the HBAC/Governor initiative, as well as existing wellness and health promotion resources (of both the health benefits Program and the EAP) available to state employees and retirees (see Appendix).
- Developing a media and communications strategy for rolling out the health promotion initiative.
- Creating a state "Wellness Program" Web site (http://admin.state.nh.us/wellness/Events.asp) to focus on the health and well-being of state employees. The Web site has information about wellness events sponsored by the Health Promotion Work Group, CIGNA's monthly wellness newsletter and links to a variety of nationally recognized health and wellness observances.
- Creating a link on the SEA Web site to the state Wellness Program Web site.
- Encouraging the State's vendors to sponsor workshops and health screenings on such topics as women's health, nutrition, fitness and stress management.

The State's vendors have also provided wellness initiatives as follows:

- CIGNA: Wellness fairs and workshops
- Delta Dental: Pedometers
- LGC/Medco: Significant Web site support and workshop sponsorship

VI. Recommendations

A. Consider Developing a Strategy to Create an Incentive for Persons Covered under the State Medical Plans to Complete a Health Risk Assessment

The HBAC recommends that the State consider developing a strategy to create an incentive for persons covered under the State's medical plans to complete a health risk assessment (HRA). HRAs are a very important tool for collecting data to help identify and treat potential health risk items at a lower cost before they require more extensive and expensive treatment. HRAs are also valuable tools to raise awareness and are usually part of wellness initiatives. Many plans offer some sort of incentive (financial or other) to encourage employees to perform an HRA.

B. Expand and Improve Wellness Services and Quality of Care

The HBAC recommends that the State consider utilizing contract and plan provisions that more aggressively encourage a healthy lifestyle, including performance measures holding vendors accountable for success in these areas. Such items could include:

- Making available to persons covered under the State plan comparative information on health care provider quality using nationally recognized measures of quality and encouraging covered persons to use this information in selecting providers and facilities.
- Educating covered persons on the significant differences in quality that exist from one provider to another.
- Pursuing chronic disease management for persons with chronic health conditions and case management for the seriously ill and for persons with multiple health conditions.
- Improving quality of care using predictive modeling, centers of excellence, tiered provider networks, and pay-for-performance.
- Sponsoring workshops and health screenings on such topics as women's health, nutrition, fitness and stress management.

C. Consider Implementing State Mandates on a Case-by-Case Basis

All State mandates regarding benefits were automatically included when the medical plans were fully insured. However, they do not apply to self-funded plans and have not been implemented since the plans became self-funded. The HBAC recommends that a review process be established for adopting State mandates on a case-by-case basis. An example of one of these mandates is Michelle's Law, HB 37, which would ensure that seriously ill college students can continue to receive health care insurance through their family's health insurance policy even if they are unable to maintain their full-time student status.

D. Review "Opt-Out" Options from State Medical Coverage for State Employees

It is possible that the various state agencies and/or the overall Program could realize cost savings as a result of allowing an "opt-out" of medical coverage. Typically, some sort of incentive would be given to an employee choosing to "opt-out" of coverage. The HBAC proposes further study of the impact of various "opt-out" options, including, but not limited to:

- An annual "opt-out" option of the State's Health Benefits Program for an employee who can prove coverage elsewhere. The opting-out employee would receive a taxable cash payment (with varied amounts to be determined) from the State for opting out.
- Not providing state coverage if employee has other coverage available.
- Not allowing other employers to compensate their employees to opt out of their medical plans if they would ultimately end up a member in the State's Health Benefits Program.

Further study is needed to assess the impact of an "opt-out" option in a self-funded environment with no employee "premium" payment. Issues to address:

- Typically introducing an "opt-out" arrangement is tied to introducing or increasing employee premium payments under a Section 125 Plan.
- How does the cost impact to a specific agency that pays a "premium" for each enrolled person compare to the overall cost impact to the self-funded plan?
- The cost impact to the Program in a self-funded environment would depend on the average cost of the employees that opt out. The net cost to the Plan for each employee that opts out would be the "opt-out" compensation. However, the overall cost impact to the plan depends on whether or not the overall impact of the "opt-outs" increases or decreases the average cost of the Program.

E. Consider Allowing Coverage for Same-Sex Domestic Partners Under the State's Health Benefits Program

Whether or not to extend coverage under the State's Health Benefits Program to same-sex domestic partners of State employees will likely be an issue that will need to be addressed in negotiations. There is a growing trend nationally to allow same-sex domestic partner benefits. In addition, there is State employee interest in receiving same-sex domestic partner coverage. Furthermore, there is currently a superior court decision being appealed to the State Supreme Court regarding same-sex domestic partner coverage. Where allowed, coverage is typically extended with the condition that an employee signs an affidavit that the relationship is non-platonic, of permanent intent, with a financial connection and that neither party is married to another party.

The Segal Company estimates that the additional cost to the State for offering medical coverage to same-sex domestic partners is likely less than one-half of one percent. (The cost to include opposite-sex domestic partners as well would likely be somewhere between one and two percent because average enrollment statistics of opposite-sex couples are typically three times the number of same-sex couples.) There is no evidence that domestic partners are likely to be more expensive than other dependents of similar age, so the added cost is simply from increasing the number of plan enrollees. As the value of coverage is considered taxable income to the State employee covering the domestic partner, care would have to be taken in the communication of this change, if implemented, to make sure that the tax implications are understood and implemented appropriately.

F. Study Emergency Room Usage Statistics

As noted in the CIGNA statistics, emergency room (ER) usage exceeds the average of CIGNA's book of business by 36%. ER treatment is more expensive than similar treatments received at a doctor's office or walk-in clinic. A decrease in ER usage in favor of other options could represent a significant savings to the State. However, more data is needed before recommendations can be made by the HBAC in this area. The data needs include a review of the types of treatments sought during ER visits and the times of these visits as well as the availability (number, location, hours) of alternative types of treatment. With better data, the HBAC can better evaluate if enrollees are going to the ER due to lack of any alternate care or lack of knowledge of available alternate care. Appropriate strategies can then be developed to address the situation, *e.g.,* educational efforts concerning the use of the 24-hour Health Information Line may be appropriate.

Due to the distribution of State employees across the State, this study and recommendations could be a template for other plans across the State and provide background for any needed State policy changes.

G. Review the Benefit Plans for Retirees

Under the Collective Bargaining Agreement, the HBAC has been tasked to review and make recommendations regarding the health benefits for the active membership. The HBAC recommends that a similar group (or other appropriate party) conduct a review of the plans for retirees to evaluate if changes in benefit design, utilization management, and/or provider payment policies may be appropriate.

H. Conduct a Best Practices Study

The ever-escalating cost of health care is a national issue, and other states and large government employers are undoubtedly facing some of the same issues as the State. Additional data are needed to determine which of the current national solutions and measures could potentially make a positive impact on the cost of the State's benefits Programs. We would suggest that a best practices study of other government and large employer plans, including the neighboring states, be conducted to find out such items as how they control Program costs, improve the quality of care, improve health, what they are doing that the State is not doing, etc.

I. Explore the Possibilities of Collaboration with Other Government Health Care Purchasers to Increase Buying Power

The HBAC recommends exploring the possibilities for collaboration with other government health care/health insurance purchasers in the State, such as the University of New Hampshire, Health Trust (*i.e.,* the Municipal Association), School Care, Healthy Kids, large counties and towns, the Medicaid Program, etc. Some of the most promising options for improving quality of care and controlling costs may only be achievable if done in coordination with other large purchasers. The State has realized savings on its prescription drug costs by contracting with the Local Government Center/Medco due to the fact that the LGC group size of 80,000 is able to receive better prices in the marketplace than the 40,000 group size of the State alone.

The State, given that the size of its population will likely be a plurality to a majority of the overall enrollees, should seek to retain a leadership role within any such coalition formed, such as contract terms, Board membership, etc.

J. Explore Providing an Explanation of Benefits after All Services

The HBAC recommends consideration that the plan administrators provide or make available an Explanation of Benefits (EOB) for all enrollees for all services received. EOBs contain the cost and treatment details regarding all health transactions. This would allow enrollees to see the actual cost of services and also empower them to audit these charges for accuracy and to report any discrepancies to the State. Currently EOBs are sent only when there is an issue with claim payment.